

CITY OF JEFFERSONTOWN, KENTUCKY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2011

ANNUAL FINANCIAL REPORT
CITY OF JEFFERSONTOWN, KENTUCKY
Year Ended June 30, 2011

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STUEDLE SPEARS & FRANCKE PSC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Honorable Mayor and City Council
City of Jeffersontown, Kentucky

We have audited the accompanying financial statements of the governmental activities, and each fund, of the City of Jeffersontown, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Jeffersontown, Kentucky, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each fund, of the City of Jeffersontown, Kentucky, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2011 on our consideration of the City of Jeffersontown, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 31 through 43, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Stuedle Spears & Francke PSC
October 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Jeffersontown's financial performance provides an overview of the City's financial activities for the year ended June 30, 2011 and should be read in conjunction with the City's financial statements, starting on page 10 of this report.

USING THE ANNUAL REPORT

This annual report contains a series of financial statements for the purpose of measuring the overall financial condition of the City.

Statement of Net Assets and Statement of Activities (pages 11 - 12)

These two statements report the City's net assets and changes to them. The *Statement of Net Assets* - the difference between assets and liabilities - is one method used to measure the City's financial health. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other indicators used to assess the overall financial condition of the City are changes in the tax base and infrastructure.

It is important to note that these statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most of the private sector. All current year revenues and expenses are taken into account regardless of when cash is received or paid. Most of the City's basic services are reported including general administration, police, public works, street maintenance, parks and recreation. Primary revenue sources used to fund these services are property taxes, occupational taxes, insurance premium taxes, franchise fees, business license fees and building permits.

To aid in the understanding of the *Statement of Activities*, it is important to explain informational differences from a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that program expenses are listed in the first column while related revenues are reported to the right. The result is a net expense/revenue total.

This format highlights the relative financial burden of each of the functions/programs on the City's taxpayers. It also identifies how much each function draws from the general revenues, or it is self-funding through fees and grants.

Some of the individual line item revenues reported for each function are:

General Government: Business licenses; alcoholic beverage licenses; building, electrical, HVAC, fire, and sign permits; office rental income.

Public Safety: Fines and court income; Police department grants.

Parks and Recreation: Community center rental income; Plainview swim fees and concession receipts.

All other governmental revenues are reported as general and are listed at the bottom right section of the statement.

Balance Sheet & Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (pages 13 - 15)

These fund financial statements provide detailed information about the governmental fund and not the city as a whole. Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left over at year-end that is available for spending. This fund is reported using the accounting method called modified accrual accounting which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine the status of financial resources available to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliation on page 15 of the fund financial statements.

FINANCIAL COMPARISONS

The following condensed financial information has been derived from the government-wide financial statements for the fiscal years ending June 30, 2011 and 2010. The two-year comparisons are organized as follows:

Statement of Net Assets

Revenues

Expenses

Excess/Deficiency of Revenues over Expenses

Change in Net Assets

Capital Assets

Long Term Debt

Statement of Net Assets

Total net assets increased \$1,367,696 during the year ending June 30, 2011. One method used to determine the City's financial health in the short term is to compare current assets to current liabilities. Current assets exceed current liabilities by \$6,079,070 for a ratio of approximately 3.4 to 1. This indicator clearly points out that the City has sufficient capacity to service its current debt. It is also important to note that total assets exceed total liabilities by \$30,015,645. This number represents the "net worth" of the city.

	2011	2010	Positive (Negative) Variance
Assets			
Current assets	\$ 8,613,168	\$ 7,611,324	\$ 1,001,844
Capital assets, net of accumulated			
Depreciation	35,369,106	35,671,782	(302,676)
Other Assets	61,677	67,844	(6,167)
Total assets	\$ 44,043,951	\$ 43,350,950	\$ 693,001
Liabilities			
Current liabilities	\$ 2,534,098	\$ 3,100,942	\$ 139,991
Non-current liabilities	11,494,208	11,602,059	534,704
Total liabilities	14,028,306	14,703,001	674,695
Net Assets			
Invested in Capital Assets			
Net of related debt	27,828,301	26,860,077	968,224
Restricted net assets	2,187,344	1,787,872	399,472
Total net assets	\$ 30,015,645	\$ 28,647,949	\$ 1,367,696

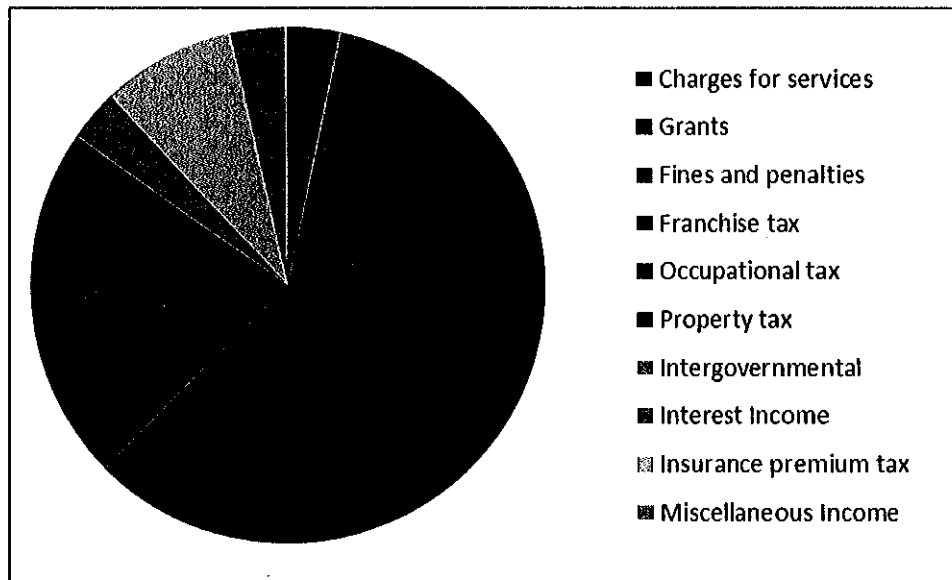
Revenues

Total governmental revenues are derived from several sources. The three primary sources are Occupational Tax, Property Tax, and Insurance Premium Tax. These three sources represent 89.20% of all revenues. Occupational tax revenue increased approximately 8.2% from the previous year. This increase was primarily the result of increased employment within the City and also increased compliance efforts. Property tax revenue increased by \$49,041 from the previous year. This increase was primarily due to slight increases in property values. Insurance premium tax revenue also increased from the previous year. The city experienced an increase within insurance premium tax revenue of approximately \$480,000 from the previous year. This has become an increasing source of revenue for the city. Total governmental revenues increased \$1,719,485 from the previous year.

FINANCIAL COMPARISONS (CONTINUED)

	2011	2010	Positive (Negative) Variance
Revenues			
Program Revenues:			
Charges for services	\$ 464,834	\$ 383,370	\$ 81,464
Grants	110,767	162,932	(52,165)
Fines and penalties	30,395	51,319	(20,924)
Total program revenues	605,996	597,621	8,375
General Revenues:			
Franchise tax (Telecom/Cable TV)	156,842	156,854	(12)
Occupational tax	10,289,267	9,502,214	787,053
Property tax	3,966,821	3,917,780	49,041
Insurance premium tax	1,963,408	1,483,388	480,020
Intergovernmental	576,207	510,290	65,917
Interest Income	9,064	8,846	218
Sale of surplus equipment	22,666	13,027	9,639
Miscellaneous Income	596,705	277,471	319,234
Total general revenues	17,580,980	15,869,870	1,711,110
Total revenues	\$ 18,186,976	\$ 16,467,491	\$ 1,719,485

FISCAL YEAR ENDED JUNE 30, 2011 REVENUES



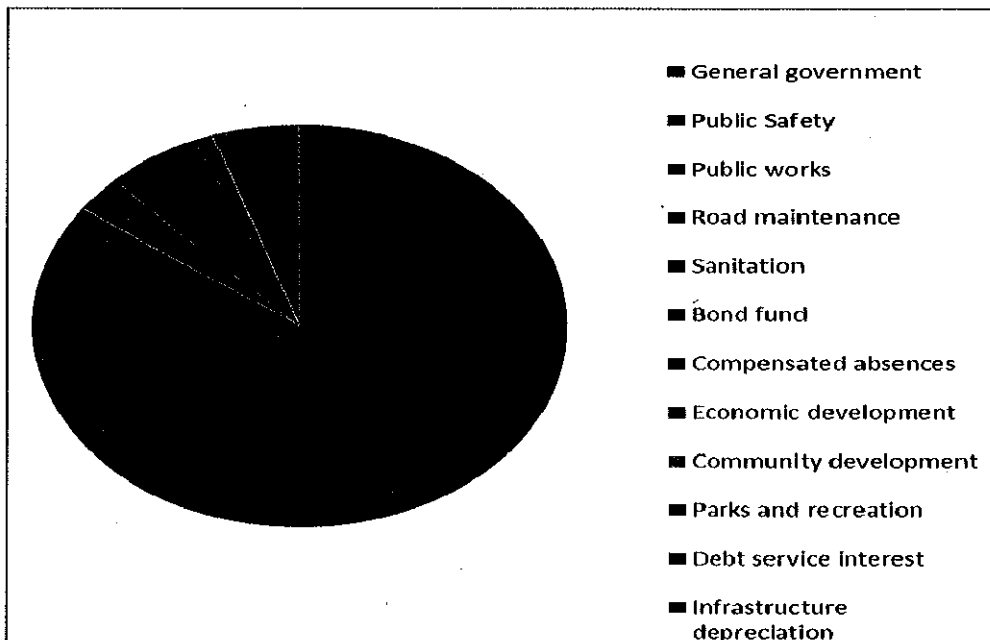
FINANCIAL COMPARISONS (CONTINUED)

Expenses

Total Governmental expenses increased by \$885,076 compared to the prior year. The largest program expense increases were within Public Safety, Parks and Recreation and also the establishment of a new department for compensated absences, which had previously been reported within general government expenses.

	2011	2010	Positive (Negative) Variance
Expenses			
Program Expenses:			
General government	\$ 3,792,571	\$ 3,680,127	\$ (112,444)
Public safety	7,169,110	6,851,412	(317,698)
Public works	1,190,090	1,141,194	(48,896)
Road maintenance	176,735	267,321	90,586
Sanitation	1,163,347	1,174,259	10,912
Bond fund	354	-	(354)
Compensated absences	538,340	-	(538,340)
Economic development	244,679	305,463	60,784
Community development	510,694	489,194	(21,500)
Parks and recreation	969,032	842,358	(126,674)
Debt service interest	187,587	355,547	167,960
Infrastructure depreciation	876,741	827,329	(49,412)
Total program expenses	\$ 16,819,280	\$ 15,934,204	\$ (885,076)

FISCAL YEAR ENDED JUNE 30, 2011 EXPENSES



Note: Certain reclassifications of expenses were made to the 2010 category for comparison with the 2011 presentation.

FINANCIAL COMPARISONS (CONTINUED)

Excess / Deficiency of Revenues over Expenses

Revenues exceeded expenses by \$1,367,696. In other words, the City spent less than it received; generating a positive "bottom line" of \$1,367,696.

	2011	2010	Positive (Negative) Variance
Total revenues	\$ 18,186,976	\$ 16,467,491	\$ 1,719,485
Total expenses	16,819,280	15,341,355	(885,076)
Excess (Deficiency) of revenues over expenses	\$ 1,367,696	\$ 533,287	\$ 834,409

Change in Net Assets

Another way to view the financial condition of the City is Change in Net Assets. One is able to address the question; is the city as a whole better off than the prior year? The answer to this question is, yes, the city is in better financial condition than this time last year. Ending net assets increased by \$1,367,696.

	2011	2010
Beginning net assets	\$ 28,647,949	\$ 28,114,662
Excess (Deficiency) of revenues over expenses	1,367,696	533,287
Ending net assets	\$ 30,015,645	\$ 28,647,949

Capital Assets

For the year ended June 30, 2011, the City showed a decrease in net capital assets of \$302,676. The decrease is due to capital asset additions of \$1,300,829 and depreciation expense of \$1,603,505 for the year. The City's \$35.4 million in net capital assets includes buildings, improvements, equipment, vehicles, and infrastructure. Major additions of \$1,300,829 in capital assets *before* depreciation included the following:

Sidewalks and paving	\$ 307,133
Police vehicles	368,000
Street Sweeper	174,900
Police Equipment	109,172

Capital Asset activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2010
Governmental activities:				
Land	\$ 1,124,198	\$ -	\$ -	\$ 1,124,198
Buildings	7,628,471	-	-	7,628,471
Improvements	2,014,282	268,502	-	2,282,784
Equipment	2,112,961	305,556	-	2,418,517
Furniture & Fixtures	437,286	-	-	437,286
Radio equipment	350,126	-	-	350,126
Vehicles and equipment	4,196,631	368,388	(1,863,046)	2,701,973
Infrastructure	58,322,612	358,383	-	58,680,995
Totals at historical cost	76,186,567	1,300,829	(1,863,046)	75,624,350
Less accumulated depreciation	(40,514,785)	(1,603,505)	1,863,046	(40,255,244)
Net capital assets	35,671,782	(302,676)	-	35,369,106

The City had vehicle and equipment disposals with a cost of \$1,863,046 and accumulated depreciation of \$1,863,046.

FINANCIAL COMPARISONS (CONTINUED)

Long Term Debt

Long term debt represents all obligations that exceed one year. This debt is comprised of three major categories: bond and debt agreements, capital lease obligations, and compensated absences. Bond and debt agreements had a decrease of \$1,061,956 from the prior year due to current year principal payments. Capital lease obligations had a net increase of \$159,009. Another significant long term obligation is compensated absences. Net additions during fiscal year June 30, 2011 totaled \$22,692. Management has changed their vacations and sick policies with an emphasis on reducing current caps on the amount of vacation and sick time that city employees can accumulate.

Long term debt activity for the year is as follows:

	Balance July 1, 2010	Additions	(Reductions)	Balance June 30, 2011
Bond and debt agreements	\$ 11,136,221	\$ -	(1,061,956)	\$ 10,074,265
Capital lease obligation	493,105	454,900	(295,891)	652,114
Compensated absences	2,532,381	22,692	-	2,555,073
Total Long Term Debt	\$ 14,161,707	\$ 477,592	(1,357,847)	\$ 13,281,452

General Fund Budgetary Highlights

Revenues

General fund revenues of \$17,588,103 were \$58,478 more than the \$17,529,625 budgeted. The City's grant revenues were significantly lower due to delays in funding at the state level and are expected to be received during fiscal year ending June 30, 2012. Revenues exceeded budgeted amounts in the majority of the city's revenue accounts. Those revenues exceeding budget included occupational taxes, insurance premium taxes, alcoholic beverage license fees, electrical permit fees, heating permit fees, sign permit fees, lease income, police department grants, and other income included penalties and interest, electrical permits, lease income, and other income.

Expenditures

General fund expenditures of \$16,418,708 were \$1,108,913 less than the \$17,527,621 budgeted. A primary reason that general fund expenditures were less than budgeted was the positive variance within grant related expenses. However, without this variance the City would still have been under budget by \$660,040 for general fund expenditures. Other primary reasons general fund expenditures were less than budgeted were positive variances in most departments with the largest being public works and debt service.

When adding the \$58,478 positive variance for revenue with the \$1,108,913 expense savings, the City realized a surplus of \$1,167,391.

FINANCIAL COMPARISONS (CONTINUED)

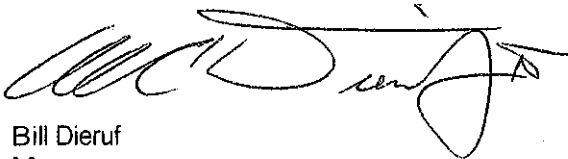
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Property taxes should remain stable as a reflection of property values. On the expense side, health benefits, energy costs, and employer retirement contributions will continue to place pressures on expense control. The City's "bottom line" should continue to remain strong through realistic projections, comprehensive budgeting, revenue enhancements, aggressive collections and tight expense controls. Despite the recession, the City wants to be prepared for future growth. The City is committed to a five year plan for infrastructure improvements. It is the opinion of Management that the City of Jeffersontown is in a strong financial position to deliver quality services at a low cost to the taxpayer.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and provide accountability for the money it receives. For questions about this report or any additional information, please contact the City Clerk's office at 10416 Watterson Trail, Jeffersontown, KY 40299.

Respectfully submitted,



Bill Dieruf
Mayor



Bill Fox
City Clerk/ Treasurer

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements:

- Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,386,291	\$ 5,386,291
Receivables (net)	3,210,847	3,210,847
Other assets	16,030	16,030
Total current assets	<u>8,613,168</u>	<u>8,613,168</u>
Noncurrent assets:		
Capital assets (net)	35,369,106	35,369,106
Other assets	61,677	61,677
Total noncurrent assets	<u>35,430,783</u>	<u>35,430,783</u>
Total Assets	<u>\$ 44,043,951</u>	<u>\$ 44,043,951</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 314,092	\$ 314,092
Bonds payable - amount due within one year	1,314,265	1,314,265
Capital lease payable - amount due within one year	247,979	247,979
Accrued compensated absences - amount due within one year	225,000	225,000
Other current liabilities	432,762	432,762
Total current liabilities	<u>2,534,098</u>	<u>2,534,098</u>
Noncurrent liabilities:		
Bonds payable - amount due in more than one year	8,760,000	8,760,000
Capital lease payable - amount due in more than one year	404,135	404,135
Accrued compensated absences	2,330,073	2,330,073
Total noncurrent liabilities	<u>11,494,208</u>	<u>11,494,208</u>
Total Liabilities	14,028,306	14,028,306
NET ASSETS		
Invested in capital assets, net of related debt	24,642,727	24,642,727
Restricted for:		
Road Fund	2,187,344	2,187,344
Unrestricted	3,185,574	3,185,574
Total Net Assets	<u>\$ 30,015,645</u>	<u>\$ 30,015,645</u>
Total Liabilities and Net Assets	<u>\$ 44,043,951</u>	<u>\$ 44,043,951</u>

See accompanying notes to the basic financial statements

**CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Total
PRIMARY GOVERNMENT:					
Governmental activities:					
General government:					
Administration	\$ 1,075,174	\$ 332,282	\$ -	\$ (742,892)	(742,892)
Building department	216,298	140,568	-	(75,730)	(75,730)
Employee benefits	1,373,338	-	-	(1,373,338)	(1,373,338)
Insurance	473,220	-	-	(473,220)	(473,220)
Tax department	254,168	-	-	(254,168)	(254,168)
Vehicle maintenance	400,373	-	-	(400,373)	(400,373)
Public safety:					
Ambulance service	79,180	-	-	(79,180)	(79,180)
Civil service	939	-	-	(939)	(939)
Police department	6,670,931	385,817	78,418	(6,206,696)	(6,206,696)
Street lights	418,060	-	-	(418,060)	(418,060)
Public works	1,202,017	15,515	-	(1,186,502)	(1,186,502)
Roads	176,735	-	-	(176,735)	(176,735)
Sanitation	1,163,347	-	-	(1,163,347)	(1,163,347)
Bond fund	354	-	-	(354)	(354)
Compensated absences	538,340	-	-	(538,340)	(538,340)
Economic development	244,679	-	-	(244,679)	(244,679)
Community development	498,767	-	-	(498,767)	(498,767)
Parks and recreation	969,032	194,372	32,349	(742,311)	(742,311)
Infrastructure depreciation (excludes direct depreciation expense of other activities)	876,741	-	-	(876,741)	(876,741)
Interest expense on long-term debt (See Note 3.D)	187,587	-	-	(187,587)	(187,587)
Total governmental activities (See Note 1)	<u>16,819,280</u>	<u>1,068,554</u>	<u>110,767</u>	<u>(15,639,959)</u>	<u>(15,639,959)</u>
Total primary government	\$ 16,819,280	\$ 1,068,554	\$ 110,767	\$ (15,639,959)	\$ (15,639,959)
General revenues:					
Taxes:					
Occupational taxes				10,289,267	10,289,267
Property taxes, levied for general purposes				3,966,821	3,966,821
Insurance premium taxes				1,963,408	1,963,408
Franchise taxes (Telecom/Cable TV)				156,842	156,842
Coal and mineral taxes				1,099	1,099
Interest income				9,064	9,064
Intergovernmental revenues				576,207	576,207
Youth basketball revenue				22,235	22,235
Donation revenue				46	46
Sale of surplus equipment				22,666	22,666
Total general revenues				<u>17,007,655</u>	<u>17,007,655</u>
Change in net assets				1,367,696	1,367,696
Net assets – beginning				<u>28,647,949</u>	<u>28,647,949</u>
Net assets – ending				<u>\$ 30,015,645</u>	<u>\$ 30,015,645</u>

See accompanying notes to the basic financial statements

**CITY OF JEFFERSONTOWN, KENTUCKY
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2011**

	General Fund	Road Fund	Bond Fund	Compensated Absence Fund	Total Government Funds
ASSETS					
Cash and equivalents	\$ 2,604,258	\$ 139,248	\$ 242,897	\$ 2,399,888	\$ 5,386,291
Due from other funds	68,959	-	-	-	68,959
Prepaid expenses	16,030	-	-	-	16,030
Occupational tax receivables	2,461,246	-	-	-	2,461,246
Insurance premium tax receivable	480,949	-	-	-	480,949
Property tax receivables	338,043	-	-	-	338,043
Less: allowance for uncollectible accounts	(49,391)	-	-	-	(49,391)
Total Assets	\$ 5,900,093	\$ 139,248	\$ 242,897	\$ 2,399,888	\$ 8,682,127
LIABILITIES					
Accounts payable	\$ 314,092	\$ -	\$ -	\$ -	\$ 314,092
Accrued payroll	214,042	-	-	-	214,042
Other accrued liabilities	121,695	-	-	-	121,695
Deferred revenue	97,025	-	-	-	97,025
Due to other funds	-	68,959	-	-	68,959
Current portion- compensated absences	225,000	-	-	-	225,000
Current portion - long term debt	1,314,265	-	-	-	1,314,265
Current portion - capital lease	247,979	-	-	-	247,979
Total Liabilities	2,534,098	68,959	-	-	2,603,057
FUND BALANCE					
Reserved for:					
Road maintenance		70,289			70,289
2005 Bond Fund			242,897		242,897
Compensated Absence Fund				2,399,888	2,399,888
Unreserved, reported in:					
General fund	3,365,996				3,365,996
Total fund balance	<u>3,365,996</u>	<u>70,289</u>	<u>242,897</u>	<u>2,399,888</u>	<u>6,079,070</u>
Total Liabilities and Fund Balance	\$ 5,900,094	\$ 139,248	\$ 242,897	\$ 2,399,888	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$40,255,244.

35,369,106

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(11,494,208)

Other assets used in government activities are not financial resources and

61,677

Net assets of governmental activities

\$ 30,015,645

See accompanying notes to the basic financial statements

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Road Fund	Bond Fund	Compensated Absence Fund	Total Governmental Funds
REVENUES					
Taxes:					
Franchise	\$ 156,842	\$ -	-	-	156,842
Occupational	10,289,267	-	-	-	10,289,267
Property	3,966,821	-	-	-	3,966,821
Insurance premium tax	1,963,408	-	-	-	1,963,408
Intergovernmental		576,207	-	-	576,207
Charges for services	464,834	-	-	-	464,834
Fines and court income	30,395	-	-	-	30,395
Grants and contributions	110,767	-	-	-	110,767
Investment income	9,064	-	-	-	9,064
Miscellaneous	596,705	-	-	-	596,705
Total revenue	17,588,103	576,207	-	-	18,164,310
EXPENDITURES					
Current:					
General government:					
Administration	1,010,393	-	354	-	1,010,393
Building department	216,298	-	-	-	216,298
Employee benefits	1,373,338	-	-	-	1,373,338
Insurance	473,220	-	-	-	473,220
Tax department	254,168	-	-	-	254,168
Vehicle maintenance	400,373	-	-	-	400,373
Total general government	3,727,790	-	354	-	3,727,790
Public safety:					
Ambulance service	79,180	-	-	-	79,180
Civil service	939	-	-	-	939
Police	6,258,014	-	-	-	6,258,014
Street lights	418,060	-	-	-	418,060
Total public safety	6,756,193	-	-	-	6,756,193
Public works	1,097,871	-	-	-	1,097,871
Road maintenance	-	176,735	-	-	176,735
Sanitation	1,163,347	-	-	-	1,163,347
Economic development	239,277	-	-	-	239,277
Community development	579,210	-	-	-	579,210
Parks and recreation	670,553	-	-	-	670,553
Compensated absences	-	-	-	538,340	538,340
Debt service:					
Principal	1,061,956	-	-	-	1,061,956
Interest and other charges	187,587	-	-	-	187,587
Capital outlay	934,925	307,133	58,771	-	1,300,829
Total expenditures	16,418,708	483,868	59,125	538,340	17,500,041
Excess (deficiency) of revenues over expenditures	1,169,395	92,339	(59,125)	(538,340)	664,269
Other Financing Sources (Uses)					
Portion of compensated absences reclassified as long-term	426,853	-	-	-	426,853
Capital lease proceeds	454,900	-	-	-	454,900
Sale of Surplus Equipment	22,666	-	-	-	22,666
Total other financing sources (uses)	904,419	-	-	-	904,419
Net change in fund balances	2,073,814	92,339	(59,125)	(538,340)	1,568,688
Fund balances-beginning	4,532,432	(22,050)	-	-	4,510,382
Transfers In (Out)	(3,240,250)	-	302,022	2,938,228	-
Fund balances-ending	\$ 3,365,996	\$ 70,289	\$ 242,897	2,399,888	6,079,070

See accompanying notes to the basic financial statements

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Reconciliation of the net changes in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 1,568,688

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	1,300,829
Depreciation expense	(1,603,505)
	1,266,012

Governmental funds report bond refinancing charges as expenditures while governmental activities report amortization expense to allocate those expenditures over the useful life of the bond

(6,167)

Net increases in long-term compensated absences increase liabilities in the Statement of Net Assets while government funds do not report changes in compensated absences as expenditures

(72,352)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Long-term debt principal payments	1,061,956
Portion of compensated absences reclassified as long-term	(426,853)
Proceeds from capital leases	(454,900)
	(819,800)

Change in Net Assets of Governmental Activities	\$ <u>1,367,696</u>
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**CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued before November 30, 1989, have been applied in the government-wide financial statements unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the primary government of the City of Jeffersontown. There are no oversight responsibilities for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependency is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing body.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents includes all cash and short term investments with a maturity date of three months or less.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes and occupational taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, occupational tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within sixty days since they would be considered both measurable and available. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Fixed Assets

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. The City engaged the services of a local engineering firm to inventory and value the roads and bridges that comprise the infrastructure.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements	20 years
Machinery and Equipment	5 -15 years
Infrastructure	10-25 years

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Fund Financial Statements

In the fund financial statements, fixed assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term debt consist primarily of bond/debt agreement obligations, capital lease obligations and accrued compensated absences.

Long-term debt for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payments of principal and interest reported as expenditures.

Compensated Absences

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused time. Permanent City employees earn from 40 to 380 vacation hours a year, depending upon length of employment, and up to 120 sick leave hours a year.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, government funds report only the compensated absence liability payable from expendable available financial resources. The City is setting aside money to offset future liabilities.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on October 1 and are due and payable at that time. All unpaid taxes levied October 1, become delinquent January 1 of the following year. Tax is assessed at a rate of .1478 per \$100. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of any additional property taxes receivable after the 60 day period, no additional accrual is made in the government-wide financial statements.

Occupational Tax

City occupational tax at one percent of wages is imposed on persons who work within the City of Jeffersontown, in any business, profession, trade or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing total wages and tax withholdings.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, government fund expenditures are classified by character: current, debt service, and capital outlay. The city's policy regarding the allocation of indirect expenses is to reflect such expenses as a separate program.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund:	Required By:
General Fund	State Law
Municipal Road Aid	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATION

Under Kentucky Revised Statutes, the City is allowed to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash in local bank certificates of deposit and savings accounts. This investment class subjects the City to custodial credit risk. This risk is considered immaterial, and as such, the City does not have an investment policy to deal with such risk.

At June 30, 2011, the city had checking account balances totaling \$5,386,291. The city was fully collateralized for amounts held in excess of FDIC limitations as of June 30, 2011.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source:	Legal Restriction of Use:
Ad Valorem Tax	Debt service
Gasoline Excise	Road and street maintenance

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Section 158 of the Kentucky Constitution limits the amount of outstanding general obligation bond debt of the City to no more than 10 percent of net assessed property valuation. For the year ended June 30, 2011, the City complied, in all material respects, with this revenue restriction.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. ACCOUNTS RECEIVABLE

Receivable detail at June 30, 2011, is as follows:

Occupational tax	\$ 2,461,246
Property tax	338,043
Insurance premium tax	460,949
Allowance for doubtful accounts	<u>(49,391)</u>
Net accounts receivable	<u>\$ 3,210,847</u>

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
Governmental activities:				
Land	\$ 1,124,198	\$ -	\$ -	\$ 1,124,198
Buildings	7,628,471	-	-	7,628,471
Improvements	2,014,282	268,502	-	2,282,784
Equipment	2,112,961	305,556	-	2,418,517
Furniture and fixtures	437,286	-	-	437,286
Radio equipment	350,126	-	-	350,126
Vehicles and equipment	4,196,631	368,388	(1,863,046)	2,701,973
Infrastructure	<u>58,322,612</u>	<u>358,383</u>	<u>-</u>	<u>58,680,995</u>
Totals at historical cost	76,186,567	1,300,829	(1,863,046)	75,624,350
Less accumulated depreciation				
Buildings	(2,583,243)	(188,789)	-	(2,772,032)
Improvements	(717,805)	(110,377)	-	(828,182)
Equipment	(1,822,790)	(89,328)	-	(1,822,790)
Furniture and fixtures	(423,011)	(3,082)	-	(426,093)
Radio equipment	(345,923)	(2,219)	-	(348,142)
Vehicles and equipment	(3,266,326)	(332,969)	1,863,046	(1,736,249)
Infrastructure	<u>(31,355,687)</u>	<u>(876,741)</u>	<u>-</u>	<u>(32,232,428)</u>
Total accumulated depreciation	(40,514,785)	(1,603,505)	1,863,046	(40,255,244)
Capital assets, net	<u>\$ 35,671,782</u>	<u>\$ (302,676)</u>	<u>\$ -</u>	<u>\$ 35,369,106</u>

**CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.B. CAPITAL ASSETS (CONTINUED)

* Depreciation expense was charged to governmental activities as follows:

General government	\$	64,828
Economic development		5,402
Parks and recreation		298,479
Police		253,909
Public works		104,146
Infrastructure		<u>876,741</u>
Total depreciation expense	\$	<u>1,603,505</u>

3.C. ACCOUNTS PAYABLE

Payable in the general fund and road maintenance fund are comprised of trade payables to vendors.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.D. LONG-TERM DEBT

Governmental Activities:

As of June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

2000 KLC Funding Trust Lease Agreement	\$ 3,800,000
2005 Series Bonds	2,945,000
2008 Floating Indebtedness Debt Agreement	524,265
2008 Retirement Bond Fund	2,805,000
Total long-term debt	<u>\$ 10,074,265</u>
Current portion	\$ 1,314,265
Non-current portion	8,760,000
Total long-term debt	<u>\$ 10,074,265</u>

Capital Lease Obligations:

Capital lease obligation for 7 police vehicles dated June 2011 payable in annual installments of \$73,231.93 with final payment due June 2014	206,768
Capital lease obligation for 1 street sweeper dated May 2011 payable in monthly installments of \$3,184.09 with final payment due May 2016	174,900
Capital lease obligation for 7 police vehicles dated April 2009 payable in annual installments of \$71,529.18 with final payment due April 2012	68,072
Capital lease obligation for 1 dump truck dated November 2009 payable in monthly installments of \$2,243.70 with final payment due November 2014	86,092
Capital lease obligation for 7 police vehicles dated April 2010 payable in annual installments of \$62,861.74.	116,282
Total capital lease obligations	<u>\$ 652,114</u>
Current portion	\$ 247,979
Noncurrent portion	404,135
Total capital lease obligations	<u>\$ 652,114</u>

Accrued Compensated Absences:

Current portion	\$ 225,000
Noncurrent portion	2,330,073
Total accrued compensated absences	<u>\$ 2,555,073</u>

**CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.D. LONG-TERM DEBT (Continued)

2000 KLC Funding Trust Lease Agreement

On June 9, 2000, the City entered a lease/purchase agreement with Kentucky League of Cities Funding Trust Program, in the amount of \$6,625,000. The agreement requires rental payments to be paid by the City of Jeffersontown, Kentucky, under the lease/purchase agreement dated June 9, 2000, with Kentucky League of Cities Funding Trust Program, pursuant to which the project will be leased to the city. The project consist of the (i) acquisition, construction and installation of infrastructure improvements, including street repairs and extensions as well as drainage system improvements and (ii) the refunding and retirement on the date hereof of (a) a lease agreement dated as of November 1, 1996 (the "1996 Lease") between the City and the Trust, (b) a lease agreement dated as of January 28, 1998 (the "1998 Lease") between the City and the Trust and (c) a lease agreement dated as of September 1, 1998 (the "1998B Lease") between the City and the Trust, the proceeds of which were used to finance the acquisition, construction, installation and equipping of youth recreational facilities, a senior citizens center, park improvements, a library, sidewalk improvements, municipally owned recreational facilities and drainage system improvements.

The variable interest rate lease requires quarterly rental payments through June 15, 2020.

2005 Series Bonds

On July 21, 2005, the City issued \$5,730,000 general obligation bonds Series 2005A and \$1,455,000 general obligation bonds Series 2005B. The Bonds constitute proportionate interest in rental payments to be paid by the City of Jeffersontown, Kentucky, under the lease/purchase agreement dated July 1st, 2005 to purchasers of these bonds through The Depository Trust Company. Interest is payable semiannually on February 1 and August 1 of each year. The proceeds from these bonds were used to extinguish the City's outstanding obligations with respect to the 1994 Certificates of Participation and Line of Credit. Currently, these funds are being held in escrow for the purpose of capital projects. The balances in these funds at June 30, 2011 are presented on the following pages.

The variable interest rate requires semiannual interest payments through August 1, 2021.

2008 Floating Indebtedness Note

On June 26, 2008, the city issued a note in the amount of \$1,184,000. Principal and interest are payable on a quarterly basis beginning September 30, 2008. The proceeds from this note were used to extinguish the City's outstanding obligation with respect to their Line of Credit, which matured on June 30, 2008. The note has an annual interest rate of 3% and matures on September 21, 2012.

2008 Retirement Fund

In July, 2009 the city issued a general obligation unfunded liability funding note in the amount of \$2,805,000. The proceeds have been escrowed by the city and will be used to extinguish city employee accrued compensated absences as individuals retire or utilize their accumulated vacation and sick time. The note is due in monthly installments of interest and fees only until August 1, 2012 at which time the city will be required to begin also making principal payments on the obligation. The note has an effective interest rate of 2% and is scheduled to mature July 1, 2032.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.D. LONG-TERM DEBT (Continued)

Interest Expense

The City incurred interest expense of \$187,587 associated with long term debt and capital lease obligations during the year ended June 30, 2011.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	(Reductions)	Balance June 30, 2011	Amount Due Within One Year
Lease/purchase agreements	\$ 11,136,221	\$ -	\$ (1,061,956)	\$ 10,074,265	\$ 1,314,265
Capital lease obligation	493,105	454,900	(295,891)	652,114	247,979
Compensated absences	2,532,381	22,692	-	2,555,073	225,000
Totals	\$ 14,161,707	\$ 477,592	\$ (1,357,847)	\$ 13,281,452	\$ 1,787,244

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

	Governmental Activities – Capital Lease Obligations And Lease/Purchase Agreements	
Year Ending June 30	Principal	Interest
2012	\$ 1,562,244	\$ 275,201
2013	834,630	236,192
2014	821,097	211,402
2015	765,549	189,208
2016	781,501	168,204
2017-2021	4,149,989	281,006
2022-2026	853,695	148,489
2027-2031	746,132	66,873
2032-2036	211,542	2,864
Total	\$ 10,726,379	\$ 1,579,439

**CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

NOTE 4 – OTHER NOTES

4.A. EMPLOYEE PENSION PLAN

Substantially all employees are covered under the County Employees' Retirement System which is a defined benefit, cost sharing, multiple-employer CERS managed by the Board of Trustees of the Kentucky Retirement System. For the year ended June 30, 2011, hazardous plan participating employees contributed 8% of creditable compensation to the System while nonhazardous participants contributed 5%. In accordance with KRS 61.565, employer contributions are intended to fund the System's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service cost over thirty years, using the level percentage of payroll method. The rates are determined by the Board of Trustees each biennium. For the year ended June 30, 2011, the employer rate was 33.25% for hazardous employees and 16.93% for nonhazardous employee creditable compensation.

Required Contributions

<u>Fiscal</u> <u>Year</u>	<u>Employees</u>	<u>City</u>	<u>Total</u>	<u>Percentage</u> <u>Contributed</u>
2007	484,804	1,482,402	1,967,206	100%
2008	484,001	1,777,009	2,261,010	100%
2009	453,115	1,417,731	1,870,846	100%
2010	460,758	1,651,185	2,111,943	100%
2011	469,962	1,769,251	2,239,213	100%

Prior to August 1, 2004, employees who retire at age 65 and have 48 or more months of service, or retire having 27 years of service credit, at least 15 years must be current service, are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of the average annual salary of the member's five highest earning years multiplied by the number of years of service credit. All employees that were hired following August 1, 2004, who retire at age 65 and have 48 or more months of service, or retire having 27 years of service credit, at least 15 years must be current service, are entitled to a retirement benefit, payable monthly for life, equal to 2% of their average annual salary for the member's five highest earning years multiplied by the number of years of service credit. Members retiring at less than 55 years of age with 25 years of service, 15 of which are current service, are entitled to reduced benefits. Members' retirement benefits became fully vested when they complete sixty months of service, twelve of which are current service.

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases. GASB adopted the standardized measure of the pension benefit obligation to enable users of CERS financial statements to assess the CERS funding status on a going-concern basis, assess progress made on accumulating sufficient assets to pay benefits when due, and make comparisons among other CERS.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 4 – OTHER NOTES (CONTINUED)

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters.

The City manages these various risk of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased liability insurance with KY League of Cities Insurance Services.	(1)
b. Injuries to employees (workers' compensation)	Purchased workers' compensation insurance with KY league of Cities Workers' Compensation Trust.	None
c. Physical property loss and natural disasters	Purchased commercial insurance with KY League of Cities Insurance Services.	None
d. Health and life	Purchased health insurance with Humana	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government function and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related Torts under the State tort claims law.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

4.C. LITIGATION

The City attorney advises of no litigation currently pending against the City of Jeffersontown, Kentucky. Ordinance 932 Series 1986, "The Defense and Indemnification of City Officers and Employees states "The City shall, without cost to the officer or employee, provide for the legal defense of any officer or employee in any action in tort arising out of an act or omission occurring within the scope of the officer's or employee's employment or public duties within the City." Officer shall mean any elected official of the City and also includes City clerk, treasurer, tax administrator, and attorney.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules- General, Road, Bond and Compensated Absences Funds

Notes to Required Supplementary Information.

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Beginning budgetary fund balance:	\$ 121,666	\$ 121,666	\$ 4,532,432	\$ 4,410,766
Resources (Inflows)				
Taxes				
Franchise tax	165,000	165,000	156,842	(8,158)
Insurance premium tax	1,875,000	1,895,000	1,963,408	68,408
Occupational tax	9,789,000	10,269,000	10,289,267	20,267
Property tax (net)	3,944,812	3,944,812	3,920,518	(24,294)
Total taxes	<u>15,773,812</u>	<u>16,273,812</u>	<u>16,330,035</u>	<u>56,223</u>
Property Tax Penalty and Interest				
Property tax - penalty & interest	25,000	25,000	26,705	1,705
Fines & penalties	3,000	3,000	19,598	16,598
Total penalty and interest	<u>28,000</u>	<u>28,000</u>	<u>46,303</u>	<u>18,303</u>
Business Licenses				
Business licenses	165,000	165,000	159,291	(5,709)
Alcoholic beverage licenses	110,000	110,000	117,762	7,762
Total business licenses	<u>275,000</u>	<u>275,000</u>	<u>277,053</u>	<u>2,053</u>
Building Department Fees				
Building permits	35,000	35,000	31,007	(3,993)
Electrical permits	35,000	35,000	65,273	30,273
Heating permits	22,000	22,000	36,644	14,644
Sign permits	5,000	5,000	7,644	2,644
Total building department fees	<u>97,000</u>	<u>97,000</u>	<u>140,568</u>	<u>43,568</u>
Fines and Court Income				
Base court revenue	50,000	50,000	30,395	(19,605)
Total fines and court income	<u>50,000</u>	<u>50,000</u>	<u>30,395</u>	<u>(19,605)</u>
Lease Income				
County Clerk's office	13,900	13,900	15,285	1,385
Community Center	30,000	30,000	31,928	1,928
Total lease income	<u>\$ 43,900</u>	<u>\$ 43,900</u>	<u>\$ 47,213</u>	<u>\$ 3,313</u>

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Grant Income				
Grant Income	\$ 1,110,113	\$ 610,113	\$ 32,349	\$ (577,764)
Police Department	-	-	78,418	78,418
Total grant income	<u>1,110,113</u>	<u>610,113</u>	<u>110,767</u>	<u>(499,346)</u>
Other Income				
Plainview Swim Fees and Concession Receipts	140,000	140,000	194,372	54,372
Youth Basketball League	-	-	22,235	22,235
Donations	-	-	46	46
Coal and Mineral Tax	1,800	1,800	1,099	(701)
Miscellaneous	-	-	378,953	378,953
Total other income	<u>141,800</u>	<u>141,800</u>	<u>596,705</u>	<u>454,905</u>
Interest Income				
Checking account and CDs	10,000	10,000	9,064	(936)
Total interest income	<u>10,000</u>	<u>10,000</u>	<u>9,064</u>	<u>(936)</u>
Total general fund revenues	<u>17,529,625</u>	<u>17,529,625</u>	<u>17,588,103</u>	<u>58,478</u>
Amount available for appropriation	17,651,291	17,651,291	22,120,535	4,469,244

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Charges to appropriations (Outflows):				
Administration				
Payroll - mayor and council	\$ 153,526	\$ 153,526	\$ 149,855	\$ 3,671
Payroll - city hall admin.	387,940	387,940	347,228	40,712
Payroll - city attorney	82,146	82,146	82,369	(223)
Retirement - mayor & council	25,992	25,992	24,046	1,946
Retirement- city hall admin.	65,678	65,678	58,926	6,752
Retirement - city attorney	13,907	13,907	13,895	12
FICA- mayor & council	11,158	11,158	10,436	722
FICA -city hall admin.	28,194	28,194	24,676	3,518
FICA - city attorney	5,971	5,971	5,965	6
Administrative expense	3,000	3,000	3,585	(585)
Legal fees & expenses	1,000	12,000	25,915	(13,915)
Accounting fees & expenses	46,000	46,000	49,219	(3,219)
Advertising - city hall admin.	500	500	200	300
Dues & sub. - city hall admin.	14,000	14,000	12,944	1,056
Office expense - city hall	500	500	568	(68)
Office supplies - city hall	10,000	10,000	11,954	(1,954)
Postage - city hall admin.	6,000	6,000	4,733	1,267
Travel - mayor & council	2,500	2,500	2,564	(64)
Travel - city hall admin.	2,500	2,500	3,961	(1,461)
Mtgs & seminars - mayor and council	3,000	3,000	2,972	28
Mtgs & seminars - city hall admin.	2,500	2,500	4,529	(2,029)
Mobile phones - mayor and council	500	500	343	157
Mobile phones - city hall admin.	5,000	5,000	3,413	1,587
Computer software maint.	12,000	46,000	46,258	(258)
Miscellaneous - council	6,000	6,000	300	5,700
Miscellaneous - city hall admin.	3,500	3,500	7,118	(3,618)
New vehicles - city hall admin.	6,900	6,900	6,874	26
New equip.- city hall admin.	2,500	2,500	625	1,875
Equip. rental - city hall admin.	4,500	4,500	4,249	251
Bldg. rep. & maint. - city hall admin.	30,000	55,000	43,673	11,327
Telephone - city hall admin.	6,000	6,000	4,348	1,652
Gen. improvement - city hall admin.	2,000	2,000	-	2,000
Water- city hall admin.	800	800	819	(19)
Employee appreciation	1,500	1,500	1,056	444
Newsletter expense	10,000	10,000	5,539	4,461
Electric & gas - city hall admin.	16,500	16,500	17,172	(672)
Equip. rep. & maint. - city hall admin.	1,000	1,000	110	890
Computer training	2,000	2,000	263	1,737
Computer hardware	19,000	49,000	46,182	2,818
Internet service & access	3,600	3,600	3,473	127
Website development & maint.	500	500	625	(125)
Total Administration	\$ 999,812	\$ 1,099,812	\$ 1,032,980	\$ 66,832

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Permitting & Enforcement Department				
Retirement	\$ 27,523	\$ 27,523	\$ 27,631	\$ (108)
FICA	12,905	12,905	11,974	931
Uniforms	4,500	4,500	1,799	2,701
Dues & subs.	1,300	1,300	1,091	209
Office supplies	1,000	1,000	1,576	(576)
Travel	300	300	4	296
Meet. & seminars	500	500	585	(85)
New equipment	500	500	-	500
Miscellaneous	1,000	1,000	1,681	(681)
Payroll	177,563	177,563	169,165	8,398
Mobile phones	900	900	792	108
Total P&E Department	<u>227,991</u>	<u>227,991</u>	<u>216,298</u>	<u>11,693</u>
Employee Benefits				
Hospitalization & medical	1,241,891	1,241,891	1,237,648	4,243
Short term disability and life insurance	53,328	53,328	51,574	1,754
Dental insurance	84,865	84,865	84,116	749
Severance benefits	100,000	100,000	-	100,000
Total Employee Benefits	<u>1,480,084</u>	<u>1,480,084</u>	<u>1,373,338</u>	<u>106,746</u>
Insurance				
Workers compensation	306,271	306,271	247,957	58,314
Insurance - commercial liability	179,400	179,400	179,324	76
Insurance - property & casualty	55,541	55,541	45,939	9,602
Total Insurance	<u>541,212</u>	<u>541,212</u>	<u>473,220</u>	<u>67,992</u>
Revenue Department				
Payroll	145,959	145,959	149,405	(3,446)
Retirement	19,836	19,836	20,179	(343)
FICA	10,608	10,608	10,724	(116)
Tax bill prep & expense	65,000	65,000	60,860	4,140
Office supplies	1,000	1,000	750	250
Travel	2,000	2,000	-	2,000
Meetings & seminars	3,000	3,000	347	2,653
Miscellaneous	500	500	420	80
Postage	14,000	14,000	11,483	2,517
Total Tax Department	<u>261,903</u>	<u>261,903</u>	<u>254,168</u>	<u>7,735</u>
Vehicle Maintenance				
Gasoline & oil	245,000	295,000	329,335	(34,335)
Vehicle maintenance	65,000	65,000	71,038	(6,038)
Total vehicle maintenance	<u>\$ 310,000</u>	<u>\$ 360,000</u>	<u>\$ 400,373</u>	<u>\$ (40,373)</u>

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Public Safety:				
Ambulance Service	\$ 70,000	\$ 70,000	\$ 79,180	\$ (9,180)
Street Lights	400,000	400,000	418,060	(18,060)
Total Public Safety	<u>470,000</u>	<u>470,000</u>	<u>497,240</u>	<u>(27,240)</u>
Civil Service				
Miscellaneous	5,000	5,000	939	4,061
Testing & analysis	7,500	7,500	-	7,500
Total Civil Service	<u>12,500</u>	<u>12,500</u>	<u>939</u>	<u>11,561</u>
Police Department				
Payroll	3,634,238	3,634,238	3,549,250	84,988
KLEFPF	155,000	155,000	149,833	5,167
Education incentive	58,000	58,000	57,243	757
Court appearance	67,200	67,200	60,222	6,978
KLEFPF contra account	(155,000)	(155,000)	(198,599)	43,599
Payroll - police dispatchers	295,716	295,716	302,119	(6,403)
Payroll - police office staff	267,464	267,464	261,946	5,518
Retirement - police officer	1,316,109	1,316,109	1,278,504	37,605
Retirement - police dispatcher	42,744	42,744	42,843	(99)
Retirement - police admin.	41,689	41,689	42,411	(722)
FICA- police officers	279,187	279,187	251,541	27,646
FICA- police dispatchers	21,761	21,761	21,561	200
FICA- police administration	19,631	19,631	19,216	415
Uniforms - police officers	58,480	58,480	56,845	1,635
Uniforms - police dispatchers	6,365	6,365	6,365	-
Uniform replace - police officers	20,480	20,480	22,779	(2,299)
Dues & subs. - police admin.	9,106	9,106	8,293	813
Office supplies - police admin.	21,000	21,000	19,780	1,220
Postage - police admin.	2,500	2,500	2,019	481
Travel - police officers	24,000	24,000	21,122	2,878
Meetings & seminars- police officers	6,500	6,500	4,998	1,502
Training exp & sup - police officers	47,250	47,250	44,951	2,299
Bldg. rep. & maint. - police admin.	55,744	55,744	44,645	11,099
Electric & gas - police admin.	35,000	35,000	34,311	689
Water -police dept.	2,000	2,000	1,353	647
Telephone - police admin.	23,300	23,300	23,580	(280)
Mobile phones - police admin.	40,460	40,460	39,317	1,143
Equip. rep. & maint. - police dept.	41,500	41,500	28,333	13,167
Maintenance contracts - police	10,926	10,926	9,968	958
Computer maintenance	20,000	20,000	19,676	324
Radio maint. - police officers	23,700	23,700	23,661	39
Pagers - police officers	108	108	157	(49)
Physicals - police officers	9,375	9,375	7,676	1,699
Crime prevention - police admin.	5,000	5,000	2,727	2,273
Photo expense - police admin.	1,000	1,000	950	50

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
Police Department (Continued)				
CID - police admin.	\$ 14,000	\$ 14,000	\$ 235,124	\$ (221,124)
Miscellaneous - police officers	27,975	27,975	16,245	11,730
Grant expense	-	-	68,516	(68,516)
New vehicles - police officers	99,000	99,000	92,376	6,624
Existing vehicle leases	205,013	205,013	205,013	-
New equipment - police officers	15,500	15,500	11,666	3,834
Total police department	<u>6,869,021</u>	<u>6,869,021</u>	<u>6,890,536</u>	<u>(21,515)</u>
Public Works				
Payroll	804,788	804,788	761,222	43,566
Retirement	132,350	132,350	126,638	5,712
FICA	58,488	58,488	55,449	3,039
Uniforms	13,500	13,500	9,245	4,255
Dues & subscriptions	1,500	1,500	1,399	101
Office supplies	1,000	1,000	1,027	(27)
Equipment rental	2,000	2,000	687	1,313
Meetings & seminars	500	500	-	500
Training expense & supplies	1,000	1,000	537	463
Bldg. repairs & maintenance	13,000	13,000	9,639	3,361
Electric & gas	9,500	9,500	10,241	(741)
Water	4,000	4,000	1,488	2,512
Telephone and internet	2,100	2,100	2,007	93
Mobile phones	5,500	5,500	3,633	1,867
Equipment repairs & maintenance	25,000	25,000	24,128	872
Shop supplies	10,000	10,000	9,007	993
Radio maintenance	1,000	1,000	904	96
Physicals	3,000	3,000	1,465	1,535
Miscellaneous	5,000	35,000	24,588	10,412
Existing vehicle leases	33,100	33,100	51,671	(18,571)
New equipment	30,000	30,000	31,028	(1,028)
Equipment leases	-	-	-	-
Landfill charges	2,000	2,000	1,349	651
Paving and Striping	-	260,000	607	259,393
Roadside maint./beautification	24,000	24,000	27,914	(3,914)
Total public works	<u>1,182,326</u>	<u>1,472,326</u>	<u>1,155,873</u>	<u>316,453</u>
Sanitation				
Sanitation contract expense	1,180,000	1,180,000	1,156,062	23,938
Dumpster fees	10,000	10,000	7,285	2,715
Total sanitation	<u>\$ 1,190,000</u>	<u>\$ 1,190,000</u>	<u>\$ 1,163,347</u>	<u>\$ 26,653</u>

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Economic Development				
Payroll	\$ 133,396	\$ 133,396	\$ 134,292	\$ (896)
Retirement	22,585	22,585	22,651	(66)
FICA	9,695	9,695	9,591	104
Advertising	2,000	2,000	2,006	(6)
Dues & subscriptions	5,000	5,000	4,917	83
Office supplies	500	500	600	(100)
Postage	250	250	8	242
Travel	3,500	3,500	1,492	2,008
Bldg. repair & maintenance	6,000	6,000	5,775	225
Electric & gas	6,000	6,000	6,307	(307)
Water	1,200	1,200	781	419
Telephone-JDC	4,000	4,000	2,588	1,412
Mobile phones	500	500	343	157
New equipment	2,000	2,000	337	1,663
Equipment repairs & maintenance	500	500	-	500
Miscellaneous	300	300	-	300
Equipment rental	2,200	2,200	2,000	200
Meetings & seminars	2,400	2,400	908	1,492
Partnership	30,000	30,000	30,000	-
Promotion of Jeffersontown	10,000	10,000	10,078	(78)
Facade Renovation Program	1,500	1,500	750	750
Ind. park improvements	60,000	60,000	14,255	45,745
Total economic development	\$ 303,526	\$ 303,526	\$ 249,679	\$ 53,847

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Community Development:				
Museum Expense				
Payroll	\$ 70,528	\$ 70,528	\$ 70,996	\$ (468)
Retirement	11,941	11,941	11,977	(36)
FICA	5,126	5,126	5,141	(15)
Advertising	500	500	375	125
Dues & subscriptions	600	600	173	427
Office supplies	700	700	588	112
Meetings & seminars	-	-	50	(50)
Postage	200	200	142	58
Bldg. repairs & maintenance	1,500	1,500	1,173	327
Telephone and internet	1,000	1,000	1,157	(157)
Miscellaneous	1,000	1,000	1,770	(770)
Security	400	400	360	40
Copier	500	500	491	9
Photography & film	300	300	295	5
Total museum expense	<u>94,295</u>	<u>94,295</u>	<u>94,688</u>	<u>(393)</u>
Senior Citizens				
Payroll	82,991	82,991	88,119	(5,128)
Retirement	10,538	10,538	11,274	(736)
FICA	6,032	6,032	6,302	(270)
Bldg. repairs & maintenance	17,000	17,000	12,111	4,889
Electric & gas	14,000	14,000	14,306	(306)
Water	500	500	-	500
Telephone	3,000	3,000	2,459	541
Mobile phones	600	600	432	168
Equipment repairs & maintenance	2,000	2,000	1,561	439
Miscellaneous	1,500	1,500	1,046	454
New equipment	3,500	3,500	200	3,300
Copier expense	1,000	1,000	1,363	(363)
Total senior citizens expense	<u>\$ 142,661</u>	<u>\$ 142,661</u>	<u>\$ 139,173</u>	<u>\$ 3,488</u>

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community Development:(Continued)				
Special Projects				
Drainage	\$ 90,000	\$ 90,000	\$ 135,974	\$ (45,974)
Farmers Market	2,000	2,000	22,955	(20,955)
Other special projects	3,000	3,000	851	2,149
Mayor special projects	7,000	7,000	15,783	(8,783)
Youth basketball expense	-	-	21,144	(21,144)
Envision ROM	-	-	317	(317)
Spruce up Jeffersontown	2,000	2,000	1,185	815
Easter Celebration	3,500	3,500	4,313	(813)
Volunteer recognition	1,000	1,000	1,000	-
Spruce up Jeffersontown	2,000	2,000	4,225	(2,225)
Gaslight festival	9,000	9,000	7,157	1,843
Pumpkinfest	2,000	2,000	2,543	(543)
The Child Connection	1,800	1,800	1,800	-
Memorial & Veteran's Day Obser	2,000	2,000	315	1,685
Grants- Related Expenses	1,203,119	703,119	242,319	460,800
Mid-South Conf. Sponsorship	5,000	5,000	-	5,000
Total special projects	<u>1,333,419</u>	<u>833,419</u>	<u>461,881</u>	<u>371,538</u>
Donations				
Community Outreach- Others	75,000	75,000	74,863	137
Total donations	<u>75,000</u>	<u>75,000</u>	<u>74,863</u>	<u>137</u>
Total community development	<u>1,645,375</u>	<u>1,145,375</u>	<u>770,605</u>	<u>374,770</u>

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Parks and Recreation				
Payroll - parks & recreation	\$ 189,382	\$ 189,382	\$ 180,577	\$ 8,805
Retirement - parks & recreation	32,063	32,063	30,523	1,540
FICA - parks & recreation	13,763	13,763	12,751	1,012
Uniforms - parks & recreation	4,000	4,000	2,678	1,322
Program supplies - parks & recreation	-	-	185	(185)
Pool maintenance contract	118,000	118,000	117,785	215
Pool - miscellaneous	40,000	40,000	51,868	(11,868)
Adult sports league	-	-	4,674	(4,674)
Community Center - miscellaneous	-	-	5,314	(5,314)
Electric & gas - Skyview Park	17,000	17,000	20,562	(3,562)
Electric & gas - Gymnasium	22,000	22,000	21,400	600
Electric & gas - Plainview Swim	17,500	17,500	18,448	(948)
Electric & gas - Veteran's Park	5,000	5,000	3,392	1,608
Electric & gas - Ruckriegel Field	1,600	1,600	2,080	(480)
Electric & gas - Community Center	25,000	25,000	28,262	(3,262)
Water - Skyview Park and Football Field	13,000	13,000	14,808	(1,808)
Water - Gymnasium	2,000	2,000	1,328	672
Water - Plainview Swim	20,000	20,000	17,615	2,385
Water - Community Center	7,000	7,000	4,473	2,527
New equipment - parks & recreation	15,000	15,000	14,194	806
Parks & recreation maintenance	45,000	105,000	121,840	(16,840)
Telephone - Gymnasium	1,500	1,500	1,291	209
Telephone - Plainview Swim	2,200	2,200	1,867	333
Telephone - Community Center	2,500	2,500	2,481	19
Payroll - pool part-time	9,000	9,000	9,450	(450)
FICA - pool part-time	650	650	723	(73)
Total parks and recreation	603,158	663,158	690,569	(27,411)
Debt Service Expense				
Bond- Debt Expense	1,162,496	1,162,496	932,662	229,834
Short Term Loan	265,612	265,612	316,881	(51,269)
Line of Credit Interest	2,605	2,605	-	2,605
Total debt expense	1,430,713	1,430,713	1,249,543	181,170
 Total charges to appropriations	 17,527,621	 17,527,621	 16,418,708	 1,108,913
 Ending budgetary fund balance prior to other financing sources (uses)	 123,670	 123,670	 5,701,827	 5,578,158
Other Financing Sources (Uses)				
Portion of compensated absences reclassified as long-term	-	-	426,853	426,853
Capital lease proceeds	-	-	454,900	454,900
Sale of surplus vehicles and equipment	-	-	22,666	22,666
Total Other Financing Sources (Uses)	-	-	904,419	904,419
 Transfers In (Out)	 -	 -	 (3,240,250)	 (3,240,250)
 Ending budgetary fund balance	 123,670	 123,670	 3,365,996	 3,242,326

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ROAD FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Beginning budgetary fund balance:	\$ 41,000	41,000	\$ (22,050)	\$ (63,050)
Resources (Inflows)				
Intergovernmental Revenues				
Motor fuel tax	<u>498,000</u>	<u>498,000</u>	<u>576,207</u>	<u>78,207</u>
Total intergovernmental revenue	<u>498,000</u>	<u>498,000</u>	<u>576,207</u>	<u>78,207</u>
Other Income				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount available for appropriation	539,000	539,000	554,157	15,157
Charges to appropriations (Outflows)				
Road Maintenance				
Street light maintenance	9,000	9,000	7,277	1,723
Sidewalks	165,000	165,000	112,367	52,633
Paving & road repairs	275,000	275,000	253,160	21,840
Road salt & de-icer	60,000	60,000	100,157	(40,157)
Road maintenance-other	30,000	30,000	10,907	19,093
Total road maintenance	<u>539,000</u>	<u>539,000</u>	<u>483,868</u>	<u>55,132</u>
Total charges to appropriations	<u>539,000</u>	<u>539,000</u>	<u>483,868</u>	<u>55,132</u>
Ending budgetary fund balance	\$ -	\$ -	\$ 70,289	\$ 70,289

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BOND FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance:	(1) -	-	-	-
2005 Bond Fund				
Veterans Park Improvements	-	-	58,771	(58,771)
Bank Fees	\$ -	\$ -	\$ 354	\$ (354)
Total 2005 bond fund expenses	-	-	59,125	(59,125)
Total charges to appropriations			59,125	(59,125)
Transfers In (Out)			302,022	302,022
Ending budgetary fund balance	\$ -	\$ -	\$ 242,897	\$ 242,897

(1) These expenditures were budgeted within Ordinance No. 1199- Series 2005, when the city initially borrowed the funds through debt issuance on July 1, 2005 to retire prior debt obligations and make future capital improvements.

CITY OF JEFFERSONTOWN, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 COMPENSATED ABSENCES FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Beginning budgetary fund balance:	\$ -	-	\$ -	\$ -
Compensated absences	-	-	538,340	(538,340)
Charges to appropriations (Outflows)	-	-	538,340	(538,340)
Transfers In (Out)	-	-	2,938,228	2,938,228
Ending budgetary fund balance	\$ -	-	\$ 2,399,888	\$ 2,399,888

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 – BUDGET VARIANCES

General Fund

Revenues

General fund revenues of \$17,588,103 were \$58,478 more than the \$17,529,625 budgeted. The City's grant revenues were significantly lower due to delays in funding at the state level and are expected to be received during fiscal year ending June 30, 2012. Revenues exceeded budgeted amounts in the majority of the City's revenue accounts. Those revenues exceeding budget included occupational taxes, insurance premium taxes, alcoholic beverage license fees, electrical permit fees, heating permit fees, sign permit fees, lease income, police department grants, and other income.

Expenditures

General fund expenditures of \$16,418,708 were \$1,108,913 less than the \$17,527,621 budgeted. A primary reason that general fund expenditures were less than budgeted was the positive variance within grant related expenses. However, without this variance, the City would still have been under budget by \$660,040 for general fund expenditures. Other primary reasons general fund expenditures were less than budgeted were positive variances in most departments with the largest being public works and debt service.

When adding the \$58,478 positive variance for revenue with the \$1,108,913 expense savings, the City realized a surplus of \$1,167,391.

Road Fund

For the year ended June 30, 2011, road fund revenues of \$576,207 were \$78,207 more than the \$498,000 budgeted. For the year ended June 30, 2011, road fund expenditures of \$483,868 were \$55,132 less than the \$539,000 budgeted. Road fund expenditures were primarily less than budgeted due to less being spent on sidewalks than had been budgeted.

Compensated Absences Fund

During the year ended June 30, 2011, the City established a new fund to account for payments related to compensated absences. Compensated absences are accrued vacation and sick pay to which employees of the City are entitled. Over the past several fiscal years, the City has had many employees with significant payments upon retirement related to earned compensated absences. This has created short-term cash flow issues for which the City has had to borrow funds to extinguish those compensated absences. Therefore, the City determined it was necessary to track these expenditures as part of a separate fund with separate funding being provided to that fund. During the year ended June 30, 2011, the City had compensated absences expenditures of \$538,340.

Bond Fund

These expenditures represent capital improvements made by the city. These expenditures were budgeted within Ordinance No. 1199- Series 2005 when the city initially borrowed the funds through debt issuance on July 1, 2005 to retire prior debt obligations and make future capital improvements.

STUEDLE SPEARS & FRANCKE PSC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of Jeffersontown, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jeffersontown, Kentucky as of and for the year ended June 30, 2011, which collectively comprise the City of Jeffersontown, Kentucky's basic financial statements and have issued our report thereon dated October 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jeffersontown, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jeffersontown, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jeffersontown, Kentucky's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jeffersontown, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stella Spear & Franchey PSC

Jeffersontown, Kentucky
October 10, 2011